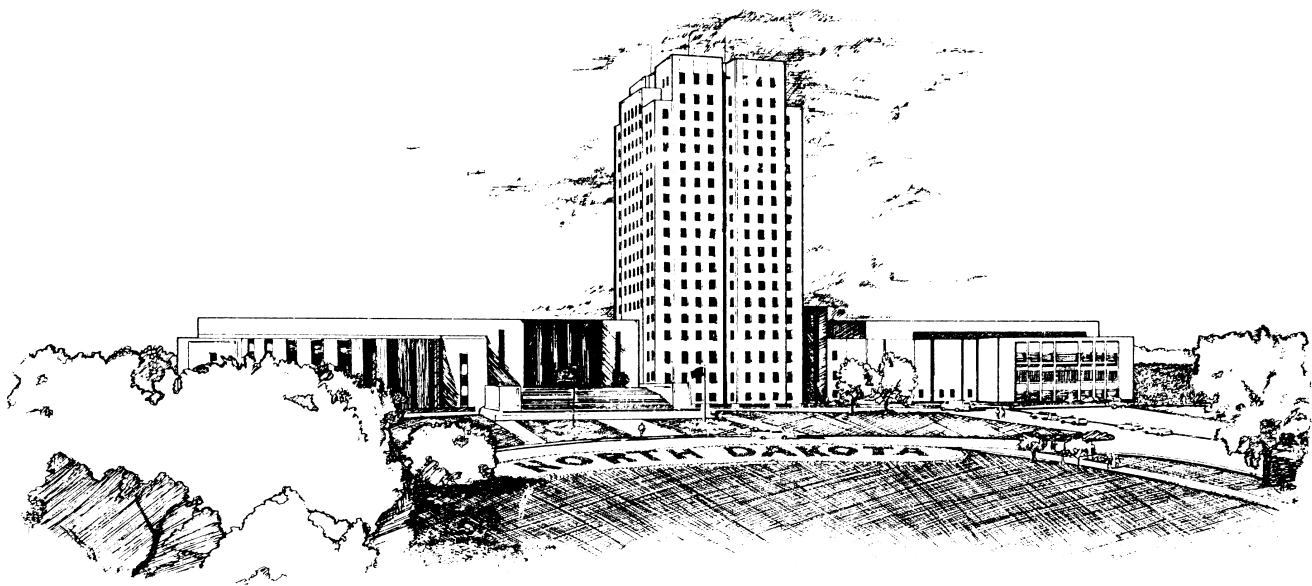


**North Dakota
Office of State Tax Commissioner**



**WITHHOLDING
E-FILE HANDBOOK**

For ACH Credit Electronic Funds Transfer

**RICK CLAYBURGH
TAX COMMISSIONER
June 2001**



INTRODUCTION

The Office of State Tax Commissioner has established a program for businesses to file their state income tax withholding returns (Form 306) electronically through Electronic Funds Transfer (EFT). Advantages to using EFT are:

- ◆ The cost and time to write checks are eliminated.
- ◆ You have control over the movement of your money.
- ◆ You are assured that the funds are received on time, every time.
- ◆ The payment and return information are sent in the same transaction, so filing your income tax withholding return is completely paperless.

PARTICIPATION

Any employer who currently files income tax withholding returns is eligible to apply for Withholding E-File.

Is participation in the North Dakota Withholding E-File program voluntary?

Completely. You may continue filing your income tax withholding using a paper return, if that's what you prefer. E-File is an "option" that many North Dakota businesses have requested. You may already be using a similar electronic system to file your federal withholding taxes.

PAYMENT OPTIONS

ACH credit (Automated Clearing House credit) and ACH debit are the two EFT payment methods accepted for paying your state income tax withholding electronically.

ACH credit is an electronic transaction where you instruct your bank to debit your business' bank account and credit the State's bank account. Since you are the originator of the transaction, you must pay the fees charged by the bank for any setup costs and for each ACH credit transaction initiated. Check with your bank to be sure they can initiate an ACH credit for you. See the section titled "Initiating an ACH credit" for further information on what is required.

ACH debit is an electronic transaction allowing the State to withdraw funds from your business' bank account. You must provide the State the banking information to withdraw the funds from your business' account. To initiate an ACH debit for income tax withholding, you only need a touch tone telephone to call toll free to the State's Withholding TeleFile System and specify the withdrawal amount and the date for withdrawal (up to the due date). The State, as the originator of the transaction, pays the bank fees to withdraw the funds through an ACH debit. For a no cost solution to pay your income tax withholding through EFT use the State's Withholding TeleFile System.

This Withholding E-File Handbook provides instructions for ACH credit only. If you wish to use North Dakota's convenient Withholding TeleFile option, call our Withholding Tax Section toll free at 1-877-638-2966, in the Bismarck-Mandan area at 701-328-3125, or check out our web site: **www.ndtaxdepartment.com** for more information and obtain a copy of the North Dakota Withholding E-File Handbook For ACH Debit.

REGISTRATION REQUIREMENTS

Do I have to register to electronically file and pay my state income tax withholding?

Yes. If you are currently registered with us to report the state income tax withholding, you only need to complete and sign a Form 301-EF, Application for Withholding Tax E-File Participation. A copy of the form is included in this handbook. Select the payment option you want, either ACH credit or ACH debit, and mail or fax the completed form to our office.

An ACH credit "prenote" (zero transaction) is required prior to approving your application. This is to test the accuracy of account numbers, routing transit numbers, addenda record formats and other features of the processing system before any funds are actually transferred. You will be notified when to initiate the prenote and provided the state file layout for the ACH credit addenda record. For more information on the prenote process and the state file layout, see the section titled "ACH Credit Prenote".

Please allow up to four weeks to process your application.

What do I do if I want to electronically file my income tax withholding returns and I am not currently registered with the Office of State Tax Commissioner to withhold state income tax?

First, you must register to withhold North Dakota income tax by completing and signing Form 301, Application to Register for North Dakota Income Tax Withholding. A state taxpayer ID number will be assigned to you to use in filing your income tax withholding returns. This state ID number is 11 digits, which is your federal taxpayer ID number and a state-assigned 2-digit suffix.

To apply for electronic filing, you must also complete and sign Form 301-EF. If you want to submit both forms at the same time, just enter your federal ID number in the state ID field.

For application forms, contact our Withholding Tax Section toll free at 1-877-638-2966, in the Bismack-Mandan area 701-328-3125, or check out our web site: **www.ndtaxdepartment.com**.

I use a payroll service to file my state income tax withholding. Can my payroll service participate in electronic filing?

Yes. A section on the E-File application accommodates payroll services. It is important to identify the Payroll Service who handles the filing of your state income tax withholding returns so we can discuss with them any problems with the tax filings made on your behalf. Also, if the bank account used for electronic funds transfer belongs to the Payroll Service, an authorized officer or individual of the Payroll Service must also sign the Form 301-EF.

If the Payroll Service completes the form for you, you must also sign the form to authorize participation in our Withholding E-File program. Or, if there is a Form 500 on file with our office authorizing the Payroll Service to act as your agent, the Payroll Service does not need your signature.

Helpful hints for registration:

- ◆ If you are a Payroll Service completing the application on behalf of a taxpayer, be sure to have the taxpayer sign and date the application, unless there is a Form 500 on file with our office designating you as their agent.
- ◆ If you are a Payroll Service and the bank account belongs to the Payroll Service, you must sign the application in Section 2.
- ◆ Mail or fax the original signed application to the address noted at the bottom of the application, or fax number 701-328-0146.

Will I still get a paper return once I register for E-File?

No. When we notify you that you are registered to begin e-filing, you will no longer receive an income tax withholding return. Before the due date, we will send you a reminder notice, either by E-mail, if you have provided an e-mail address, or via U.S. mail. These reminder notices can serve as your taxpayer's copy to record the e-filing of your return. However, if you fail to receive the reminder notice, you are still required to e-file your state income tax withholding by initiating the ACH credit from your bank by the due date, even if you owe no tax, to avoid a delinquency notice.

CHANGES TO ACCOUNT

What do I do if I change banks or bank account numbers; or my bank notifies me they are changing my account number?

You must complete another Form 301-EF to advise us of your change. Check the appropriate box(s) on the application identifying the change. All information requested on the form must be provided for any change you are making. A copy of the application is included with this handbook. You may also call or write us for another form, or download it from our web site:

www.ndtaxdepartment.com.

We will need to re-verify your change and do a "prenote" with the new bank account. You should notify us at least 30 days prior to when the change will take effect to avoid disruption of your ability to file your income tax withholding returns electronically by the required due dates.

- ◆ The E-File contact person should be the person who will actually initiate the electronic filing of your state income tax withholding. Be sure to include a phone number.

What if I want to stop filing my state income tax withholding returns electronically and go back to a paper return?

We hope you will never want to return to filing paper returns, but if you find that the ACH credit payment method does not meet your business needs, you need to notify us in writing that you wish to terminate your electronic filing option at least 30 days prior to when the termination is to take effect. We will acknowledge your request, and begin sending you paper tax returns again.

What if I quit or change my Payroll Service?

You must complete a new Form 301-EF advising us of the change. This is very important if the bank account used to make your tax payments is the Payroll Service's account. We need to update our records so future electronic filings are accepted. A prenote process will need to be performed again.

Do I have to do anything if the business retains the same account numbers, but the ownership or corporate officers have changed?

Yes. You have to complete a new Form 301, Application to Register for North Dakota Income Tax Withholding, each time there is a change in the corporate officers responsible for the state income tax withholding returns.

ACH CREDIT PRENOTE***What is an ACH credit prenote?***

An ACH credit prenote is a test transaction to ensure the record format you are using is correct and will properly post your payment to your income tax withholding account with the state.

Is a prenote required?

Yes, when you submit your completed application and select ACH credit as your payment method, we will notify you by letter that a "zero" prenote is required and provide you the state's TXP addenda record format and routing/transit and bank account numbers for you to instruct your bank. The record format for the TXP addenda record is also included in this handbook.

How is the prenote initiated?

You must initiate the prenote with your bank. The bank originates your payment using the "Cash Concentration or Disbursement plus Tax Payment Addendum" (CCD+TXP) format. This format is the

standard format that has been adopted for tax payments by the National Automated Clearing House Association (NACHA). The bank usually prepares the CCD+ entry detail record, but you will need to provide the bank the TXP addenda record layout and tax account information required for North Dakota. If your business is equipped to also create the CCD+ entry detail record to send to your bank, be sure the Transaction Code field contains the prenote code "24".

INITIATING AN ACH CREDIT***How do I initiate an ACH credit?***

Once we have notified you that you can begin filing your income tax withholding return electronically, you initiate the tax payment and addenda record through your bank. The TXP addenda record provides the return information necessary to identify the payment and properly post it to your income tax withholding account. One transaction does it all — files your return and takes care of your tax payment.

You must provide your bank the filing information required to complete the TXP addenda record. The record format for the TXP addenda record is included in this handbook. **[Note: If your business is equipped to prepare the CCD+ detail entry record instead of the bank preparing it, be sure the Transaction Code field contains "22".]**

You will also be provided the TXP record format when instructed to initiate an ACH credit prenote. In order to receive the state's bank routing/transit and bank account numbers you must complete a Withholding Tax E-File Participation application (Form 301-EF).

Is there a cost to initiate an ACH credit?

Yes. You must pay the fees charged by your bank for any setup costs and for each ACH credit transaction initiated.

What if I do not owe any tax for a specific reporting period?

You are still required to send a "zero" ACH credit transaction with the TXP addenda record, which constitutes your return.

DUE DATES

When must I send an ACH credit to be sure my e-filed return and payment are timely?

Your bank must initiate the ACH credit transaction on or before the due date for your payment to be considered timely. We do not require the funds to be in the State's account on the due date, but you must contact your bank to initiate the payment by the due date. A timely filed ACH credit will be based on the transaction date of the credit from your bank. The due date remains the same as for paper returns, which falls on the last day of the month following the end of the tax period. Due dates for each calendar quarter are:

<u>Calendar Quarter</u>	<u>Due Date</u>
January, February and March	April 30
April, May, and June	July 31
July, August, and September	October 31
October, November, and December	January 31

An annual filing option is available to eligible employers which may be filed for the entire calendar year on or before January 31 following the end of the calendar year. Contact the Office of State Tax Commissioner for information on the procedures that apply for annual filing. Under certain circumstances, the Tax Commissioner may require monthly filings. Requests to file monthly returns are subject to the Tax Commissioner's approval.

What if the due date is on a weekend or holiday?

The due date falls to the next business day. For example, if the due date April 30 is a Sunday, the due date becomes Monday, May 1.

PENALTY AND INTEREST

What happens if I don't e-file my return and payment by the due date?

The same penalty and interest provisions for paper returns and checks apply if you do not e-file, or e-file after the due date. You will be billed the late charges.

What proof do I have to provide that I e-filed my return by the due date if I get a late notice from your office?

You will need to obtain a copy of the ACH credit transaction record, which will contain the date it was initiated from your bank.

MULTIPLE TAX PERIODS/ACCOUNTS

Can more than one tax period for my account be e-filed in the same ACH credit transaction?

Yes, but only if your bank supports the CTX format. The CCD+TXP record format only allows for one addenda record. The CTX format allows for multiple addenda records in one ACH credit transaction. The Office of State Tax Commissioner has limited the CTX format to 100 accounts or records. Please check with your bank if they can handle the CTX format.

Can e-filing more than one withholding account be done in the same ACH credit transaction?

Yes. As with multiple tax periods, your bank must be able to support the CTX format, but you are limited to 100 accounts per ACH credit transaction.

ERRORS AND AMENDED RETURNS

I made an error when e-filing my income tax withholding. How do I correct it?

If you owe additional income tax withholding, you can file an amended ACH credit transaction. In the TXP addenda record, be sure to enter the amended return code "A" in the field.

If you overpaid your income tax withholding, you will need to file a paper amended return. To obtain a Form 306 to amend your income tax withholding, contact our Withholding Tax Section.

What should I do if I need to pay additional money due to a notice or an assessment?

You will need to send a check for any payment you owe to us. You cannot use EFT to pay an income tax withholding notice or assessment at this time.

WITHHOLDING TAX ASSISTANCE

Office Hours: 8:00 a.m. - 5:00 p.m. Central Time, Monday- Friday, excluding holidays

Toll Free: 1-877-638-2966
Bismarck-Mandan: 1-701-328-3125
TTY: 1-800-366-6888
(Relay North Dakota)

Web Site: www.ndtaxdepartment.com

E-Mail: withhold@state.nd.us

**NORTH DAKOTA OFFICE OF STATE TAX COMMISSIONER
TAX PAYMENT (TXP) BANKING CONVENTION
ADDENDA RECORD LAYOUT
(Using the State Implementation)**

TAX TYPE: Income Tax Withholding

Tax Payment Data Segment (TXP)

Ref #	Element ID	Element Name	Attributes	Value/Description
TXP01	325	Tax Identification Number	M AN 11/11	11-digit ID Number (Federal ID plus a 2-digit Suffix)
TXP02	1049	Tax Payment Type Code	M ID 3/3	011 = Withholding
TXP03	373	Tax Period End Date	M DT 6/6	YYMMDD = Enter the last day of the reporting period in the DD value (i.e., 000331 = March 2000 or 1st Quarter 2000)
TXP04	817	Amount Type (Tax Information ID Number)	M ID 1/1	T = Current Withholding Tax Return A = Amended Withholding Tax Return
TXP05	1051	Tax Amount	M N2 1/10	\$\$\$\$\$\$cc = The decimal is implied and not transmitted (i.e., \$500.00 = *50000*)
TXP06	817	Amount Type (Tax Information ID Number)	X ID 1/1	P = Penalty
TXP07	1051	Penalty Amount	X N2 1/10	\$\$\$\$\$\$cc = The decimal is implied and not transmitted (i.e., \$25.00 = *2500*)
TXP08	817	Amount Type (Tax Information ID Number)	X ID 1/1	I = Interest
TXP09	1051	Interest Amount	X N2 1/10	\$\$\$\$\$\$cc = The decimal is implied and not transmitted (i.e., \$5.00 = *500*)
TXP010	1050	Identification Code	Not Used	

EXAMPLE:

North Dakota Office of State Tax Commissioner Implementation, Withholding Tax

705TXP*12345678901*011*000331*T*150000*P*2500*I*500\

Tax Identification Number 12345678901 (11-digit ID Number: Usually Federal ID plus a 2-digit Suffix)
Tax Payment Type Code 011 (Withholding Tax)
Tax Period End Date March 31, 2000 (March 2000 Return or 1st Quarter 2000 Return)
Amount Type T (Current Withholding Tax Return)
Tax Amount \$1,500.00
Amount Type P (Penalty Code)
Penalty Amount \$25.00
Amount Type I (Interest Code)
Interest Amount \$5.00